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**Introduced by Senator Strickland**

February 26, 2009

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An act to add and repeal Sections 17053 and 23650 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

## LEGISLATIVE COUNSEL'S DIGEST

SB 462, as introduced, Strickland. Income and corporation taxes: credits: manufacturers of diesel exhaust filters.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2009, and before December 1, 2019, of \$10,000 for a qualified taxpayer, as defined, that is a manufacturer of verified diesel emission control strategies.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17053 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053. (a) For taxable years beginning on or after January 1,
- 4 2009, and before December 1, 2019, a qualified taxpayer is allowed
- 5 a credit against the "net tax," as defined in Section 17039, of ten
- 6 thousand dollars (\$10,000).
- 7 (b) For purposes of this section:

1 (1) “Diesel particulate matter” means the particles found in the  
2 exhaust of diesel-fueled compression ignition engines.

3 (2) “Manufacturing” means the activity of converting or  
4 conditioning property by changing the form, composition, quality,  
5 or character of the property for ultimate sale at retail or use in the  
6 manufacturing of a product to be ultimately sold at retail.  
7 Manufacturing includes any improvements to tangible personal  
8 property that result in a greater service life or greater functionality  
9 than that of the original property.

10 (3) “Qualified taxpayer” means a manufacturer that is engaged  
11 in the manufacturing of verified diesel emission control strategies.

12 (4) “Verified diesel emission control strategies” means emissions  
13 control strategies, designed primarily for the reduction of diesel  
14 particulate matter emissions, that have been approved or certified,  
15 or are pending approval or certification, by the State Air Resources  
16 Board.

17 (c) No credit shall be allowed pursuant to this section unless  
18 the qualified taxpayer does all of the following:

19 (1) Obtains and retains the letter of approval or certification  
20 from the State Air Resources Board regarding the verified diesel  
21 emission control strategies manufactured by the qualified taxpayer.

22 (2) Provides the Franchise Tax Board with the State Air  
23 Resources Board’s letter of approval or certification at the  
24 Franchise Tax Board’s request.

25 (d) In the case where the credit allowed by this section exceeds  
26 the “net tax,” the excess may be carried over to reduce the “net  
27 tax” in the following year, and for succeeding taxable years if  
28 necessary, until the credit is exhausted.

29 (e) This section shall remain in effect only until December 1,  
30 2019, and as of that date is repealed.

31 SEC. 2. Section 23650 is added to the Revenue and Taxation  
32 Code, to read:

33 23650. (a) For taxable years beginning on or after January 1,  
34 2009, and before January 1, 2019, a qualified taxpayer is allowed  
35 a credit against the “tax,” as defined in Section 23036, of ten  
36 thousand dollars (\$10,000).

37 (b) For purposes of this section:

38 (1) “Diesel particulate matter” means the particles found in the  
39 exhaust of diesel-fueled compression ignition engines.

1 (2) “Manufacturing” means the activity of converting or  
2 conditioning property by changing the form, composition, quality,  
3 or character of the property for ultimate sale at retail or use in the  
4 manufacturing of a product to be ultimately sold at retail.  
5 Manufacturing includes any improvements to tangible personal  
6 property that result in a greater service life or greater functionality  
7 than that of the original property.

8 (3) “Qualified taxpayer” means a manufacturer that is engaged  
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11 control strategies, designed primarily for the reduction of diesel  
12 particulate matter emissions, that have been approved or certified,  
13 or are pending approval or certification, by the State Air Resources  
14 Board.

15 (c) No credit shall be allowed pursuant to this section unless  
16 the qualified taxpayer does all of the following:

17 (1) Obtains and retains the letter of approval or certification  
18 from the State Air Resources Board regarding the verified diesel  
19 emission control strategies manufactured by the qualified taxpayer.

20 (2) Provides the Franchise Tax Board with the State Air  
21 Resources Board’s letter of approval or certification at the  
22 Franchise Tax Board’s request.

23 (d) In the case where the credit allowed by this section exceeds  
24 the “tax,” the excess may be carried over to reduce the “tax” in  
25 the following year, and for succeeding taxable years if necessary,  
26 until the credit is exhausted.

27 (e) This section shall remain in effect only until December 1,  
28 2019, and as of that date is repealed.

29 SEC. 3. This act provides for a tax levy within the meaning of  
30 Article IV of the Constitution and shall go into immediate effect.